



1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE KENTUCKY ECONOMY

The importance of small business to the state of Kentucky is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

Number of Businesses - In 1996, Kentucky had 78,044 businesses with employees; 97.2 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 113,000 self-employed persons in 1996, for an estimated total of 191,044 businesses.

Small Business Income - The income of sole proprietors and partners rose 5.5 percent to \$4.9 billion in 1996, while wage-and-salary income rose 5.6 percent. Total personal income rose 5.6 percent to \$47.8 billion. The state also exported \$5.8 billion of goods in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 98,900 women-owned businesses in Kentucky, including part-time firms, employing 213,400 people and generating \$23.4 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 70.1 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 36.4 percent from 1987 to 1992, totaling 5,097 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 109.5 percent during the same time period with 752 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 899 in 1987, to 1,614 in 1992, representing a 79.5 percent increase.

Business Turnover - The number of new firms increased 0.6 percent, while new business incorporations increased 3.8 percent in 1996. Financial difficulties leading to business bankruptcies decreased by 8.9 percent and business failures decreased by 3.2 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in Kentucky decreased from 297 in 1994 to 272 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
BANK OF MOUNT VERNON	Mount Vernon
BANK OF COLUMBIA	Columbia
FIRST SOUTHERN NB LINCOLN CT	Hustonville
CASEY COUNTY BK	Liberty
CITIZENS GUARANTY BK	Richmond
SOUTH CENTRAL BK	Glasgow
FIRST & FARMERS BK OF SOMERS	Somerset
PEOPLES B&TC OF HAZARD	Hazard
FARMERS B&TC	Georgetown
FIRST NB OF MANCHESTER	Manchester
PIKEVILLE NB&TC	Pikeville
PEOPLES FIRST NB&TC	Paducah

Job Growth - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 52.6 percent of the small business growth with 67,744 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	36,247	31,497	22,254	38,753	(14,770)	113,979
Manufacturing	1,134	2,792	5,622	14,572	(19,593)	4,526
Retail Trade	3,727	4,353	3,933	4,588	(5,891)	10,710
Services	21,543	14,748	8,612	16,769	18,559	80,230
Other	9,843	9,604	4,087	2,824	(7,843)	18,514

Industries - The composition of small business in Kentucky is very diverse. The Eating & Drinking Places industry is the largest small business employer in Kentucky, followed Health Services. The fastest growing industry for small business is Primary Metal Industries (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Kentucky by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	1,292,731	100.0	52.7
Health Services	8000	153,336	11.9	39.3
Eating & Drinking Places	5800	104,175	8.1	67.0
Business Services	7300	60,164	4.7	52.7
Food Stores	5400	49,299	3.8	51.4
Wholesale Trade - Durable Goods	5000	43,372	3.4	73.5

Table 2, Top Five Small Business Industries in Kentucky by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	681,862	100.0	52.7
Eating & Drinking Places	5800	69,838	8.1	67.0
Health Services	8000	60,232	11.9	39.3
Special Trade Contractors	1700	38,915	3.1	98.6
Wholesale Trade - Durable Goods	5000	31,872	3.4	73.5
Business Services	7300	31,717	4.7	52.7

Table 3, Fastest Growing Industries for Small Business in Kentucky, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	667,698	681,862	14,164	2.1
Primary Metal Industries	2,024	2,730	706	34.9
Hotels, Rooming Houses, Camps, & Other Lodging Places	7,522	8,292	770	10.2
Water Transportation	1,742	1,910	168	9.6
Lumber & Wood Products, Except Furniture	9,818	10,701	883	9.0
Industrial & Commercial Machinery & Computer Equipment	10,227	11,037	810	7.9

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.